

Message Text

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ACTION EB-08

INFO OCT-02 EUR-12 IO-14 ISO-00 AGRE-00 CEA-01 CIAE-00
COME-00 DODE-00 FRB-01 H-02 INR-07 INT-05 L-03
LAB-04 NSAE-00 NSC-05 PA-02 CTME-00 AID-05 SS-15
STR-06 ITC-01 TRSE-00 USIA-15 PRS-01 SP-02 SOE-02
OMB-01 DOE-11 /124 W
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R 241929Z JAN 78
FM AMEMBASSY BRUSSELS
TO SECSTATE WASHDC 4469
INFO ALL EC CAPITALS
AMEMBASSY PARIS
USMISSION GENEVA

UNCLAS BRUSSELS 01447

USEEC

PASS AGRICULTURE ELECTRONICALLY
PARIS ALSO FOR USOECD
GENEVA ALSO FOR USMTN

E.O. 11652: N/A
TAGS: EAGR, EEC
SUBJ: PROBLEMS IN THE EC GRAIN SECTOR

REFS: (A) BRUSSELS 15692 (B) 77 BRUSSELS 16936

1. IN DISCUSSING THE COMMISSION'S LATEST SUPPLY/DEMAND
BALANCES FOR GRAINS (SEPTTEL), A COMMISSION OFFICIAL IN THE
GRAINS DIVISION MADE A NUMBER OF INTERESTING POINTS CONCERN-
ING THE EC GRAIN SITUATION. THE OFFICIAL SAID THAT DISPOSAL
OF BARLEY IS CONSIDERED BE THE NUMBER ONE PROBLEM FACING
THE EC IN THE GRAIN SECTOR. WHILE THERE IS ALSO SOME CONCERN
ABOUT WHEAT DISPOSAL, IT IS FELT THAT SURPLUS WHEAT CAN
ALWAYS BE DISPOSED OF ON THE WORLD MARKET WITH A MINIMUM OF
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DISRUPTION THERE. ON THE OTHER HAND, THERE IS A MUCH MORE
LIMITED EXPORT MARKET FOR BARLEY AND THE QUANTITIES OF BARLEY
WHICH THE COMMISSION ENVISAGES AT IT WILL HAVE TO EXPORT
IN THE NEAR AND MEDIUM TERM FUTURE, CONSTITUTE AN IMPORTANT
PART OF THE WORLD BARLEY TRADE.

2. THE OFFICIAL SAID THAT THE EC COULD NORMALLY EXPECT

A BIG BARLEY CROP, SUCH AS THEY HAD THIS YEAR. ALTHOUGH THE AREA IN BARLEY WAS NOT INCREASING, A STEADY INCREASE IN YIELDS IS ANTICIPATED. (REFTEL B).

3. HE THOUGHT THAT IF PRESENT TRENDS PERSISTED, THE EC WOULD HAVE TO UNLOAD ABOUT 4 MILLION TONS ANNUALLY ON THE WORLD MARKET (INCLUDING THE GRAIN EQUIVALENT OF BARLEY MALT PORTS). HE ADDED THAT THIS YEAR THE COMMUNITY HAD BEEN VERY LUCKY WITH RESPECT TO BARLEY EXPORTS. THERE HAD BEEN VERY GOOD DEMAND FROM EASTERN EUROPE. IN ADDITION, THE CANADIANS HAD PUSHED WHEAT EXPORTS RATHER THAN BARLEY EXPORTS PRIOR THE CLOSING OF THEIR PORTS, AND CONSEQUENTLY, COMPETITION IN THE FIRST PART OF THE YEAR HAD BEEN LIMITED. NEVERTHELESS, EC BARLEY STOCKS ARE EXPECTED TO INCREASE SUBSTANTIALLY THIS YEAR. THE BALANCE SHEET SHOWS EC STOCKS RISING FROM 900,000 AT THE START OF 1977/78 TO 2.6 MILLION TONS AT THE START OF 1978/79. WHILE THE OFFICIAL FELT THAT THIS INCREASE MAY BE SOMEWHAT EXAGGERATED (SINCE THE ESTIMATE FOR EXPORTS ON THE BALANCE SHEET IS ON THE LOW SIDE) HE STILL ANTICIPATED A SUBSTANTIAL INCREASE IN STOCKS.

4. THE OFFICIAL SAID THAT SURPLUS DISPOSAL DIFFICULTIES FOR BARLEY RESULTED PRIMARILY FROM ITS INABILITY TO COMPETE DOMESTICALLY WITH CORN GIVEN THE EXISTING EC PRICE STRUCTURE; HE SUGGESTED THAT, CONSEQUENTLY, THE EXISTING

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RELATIONSHIP BETWEEN THE CORN THRESHOLD PRICE AND THE BARLEY INTERVENTION PRICE MIGHT HAVE TO BE CHANGED. AS AN EXAMPLE HE NOTED THAT, DESPITE VERY LOW BARLEY PRICES IN THE UK, IMPORTS OF CORN HAD CONTINUED AT A HIGH LEVEL. THE LATEST SUPPLY/DEMAND BALANCE SHEET INCREASES THE ESTIMATES FOR CORN IMPORTS AND FEED USE BY ABOUT 1 MILLION TONS ABOVE THE END OF OCTOBER ESTIMATES.

5. THE OFFICIAL CLAIMED THAT INCREASED IMPORTS OF MANIOC HAD AFFECTED BARLEY MORE THAN CORN. HE SAID THAT MANIOC TENDS BE MAINLY USED IN COMBINATION WITH LARGER QUANTITIES OF SOYBEAN MEAL TO REPLACE GRAINS SUCH AS BARLEY AND WHEAT WHICH HAVE A RELATIVELY HIGH PROTEIN CONTENT AS COMPARED WITH CORN WHICH HAS A SUBSTANTIALLY LOWER PROTEIN CONTENT. THIS REPLACEMENT HAS OCCURRED MOSTLY IN PIG FEED.

6. THE OFFICIAL POINTED OUT THAT MANIOC WAS THUS FAR IMPORTED ONLY INTO THE STRONG CURRENCY COUNTRIES (GERMANY AND THE BENELUX). IN OTHER EC COUNTRIES WHERE THE MONETARY COMPENSATORY AMOUNT (MCA) WAS DEDUCTED FROM THE IMPORT LEVY ON GRAINS, MANIOC WAS NOT COMPETITIVE. HOWEVER, HE WAS RECENTLY ADVISED THAT DANISH FEED COMPOUNDERS WERE LOOKING

INTO THE POSSIBILITY OF USING MANIOC. (DENMARK HAS NO MCA'S).
IT WAS ESTIMATED THAT MANIOC IMPORTS COULD REPLACE AS MUCH
AS 30 PERCENT OF THE BARLEY NOW USED IN PIG FEED IN DENMARK.

7. SOURCE SAID AT THE COMMUNITY SURPLUS DISPOSAL
PROBLEM WITH DURUM WHEAT WAS PRETTY MUCH UNDER CONTROL NOW
AS A RESULT OF THE CHANGES MADE IN THE EC SYSTEM (IN PAR-
TICULAR, THE EXCLUSION OF DURTAL AND OTHER HIGH YIELD BUT
LOW QUALITY VARIETIES FROM THE PRODUCER SUBSIDY PROGRAM.)
THE CHANGES IN THE SYSTEM HAD IN SOME CASES RESULTED IN A
SWITCH TO LOWER YIELDING VARIETIES AND, IN OTHER CASES, A
SHIFT OUT OF DURUM ALTOGETHER. IN FRANCE IN PARTICULAR
THERE HAS BEEN A SHARP DECLINE IN DURUM WHEAT AREA FROM THE
1975 PEAK OF ABOUT 280,000 HA.; 1977 DURUM WHEAT AREA IS
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ESTIMATED AT 104,000 HA. HINTON

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NNN

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